

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 30, 2018

#### **BCJ Capital Management, LLC. dba BCJ Capital Management**

SEC File No. 801-58087

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This brochure provides information about the qualifications and business practices of BCJ Capital Management. If you have any questions about the contents of this brochure, please contact us at 480-483-1510. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about BCJ Capital Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. There are no material changes made from the previous 2A that is dated 12/31/2017.

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## Item 4: Advisory Business

### A. BCJ Capital Management

BCJ Capital Management, LLC ("BCJ" and/or "the firm") is a privately held, employee owned, independent registered investment advisory firm registered with the United States Securities and Exchange Commission ("SEC") since January 1996. The principals of the firm are Kevin Bauer, President; Stephen Captain, Vice President; Justin Young, Chief Executive Officer; Andrea Bauer, CFO; Mark Johnson, Member, David Carroll, Member, and Ben Bimson, Member

### B. Advisory Services Offered

#### B.1. Investment Management Services

BCJ may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent third-party managers or sub-advisors based on the stated investment objectives of the client. The terms and conditions under which the client is to engage the independent manager(s) will be set forth in separate written agreements between (i) the client and BCJ and (ii) the client and the designated independent manager(s). BCJ will continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which BCJ will receive an annual advisory fee. Payment of this fee will be described in the BCJ Schedule of Services and Fees document.

Factors that BCJ will consider in recommending independent manager(s) include the client's stated investment objective(s) and the independent manager(s) management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated independent manager(s) and the corresponding designated broker-dealer/custodian of the client's assets may be exclusive of, and in addition to, BCJ's investment advisory fee set forth in Item 5 of this brochure. In addition to BCJ's written disclosure statement, the client will also receive the written disclosure statement of the designated independent manager(s). Certain independent manager(s) may impose more restrictive account requirements and varying billing practices than BCJ. In such instances, BCJ may alter its corresponding account requirements and/or billing practices to accommodate those of the independent manager(s).

BCJ offers various model portfolios that are managed by third parties and model portfolio that is managed by BCJ.

The BCJ Special Opportunity Fund is a tactical multi-factor model that is offered and managed by BCJ Capital Management. The fund is managed using technical analysis and a weight of evidence approach. The analysis incorporates factors including: Momentum, Mean Reversion Scores, Oversold indicators, Relative Strength, Seasonality, and the macro environment. The portfolio is actively managed and draws from a pool of over 200 ETFs across all asset classes, specialty or sectors, and alternatives.

Clients can also choose to have a portion of their assets managed by BCJ on an individual basis, taking into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). BCJ's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to BCJ in response to a questionnaire and/or in discussions with the client and reviewed in meetings with BCJ.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds and ETFs.
- Proposing changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk.

In addition to providing BCJ with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. BCJ will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. BCJ will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## **B.2. Consulting and Financial Planning Services**

BCJ may gather information through in-depth personal interviews and/or questionnaires. Information gathered includes your objectives, goals, risk tolerance, other personal and financial circumstances, time horizon, tax returns, wills or estate plans, powers of attorney, insurance policies, employee benefits and retirement benefits information, and other documents as we may reasonably request in order to permit a complete evaluation and preparation of recommendations to you. The work will include written review, analysis and preparation of the recommendations and findings we provide you.

While financial planning services are prepared with the intention of the client implementing recommendations made within the plan through BCJ, clients are not obligated to do so. Clients may select any investment advisor, broker/dealer, or financial institution to implement BCJ recommendations.

Financial planning fees are negotiable. In addition, BCJ may waive, reduce or credit the amount of the financial planning fee charged to a client when additional advisory fees or commissions are earned. The decision to waive or reduce an advisory fee is at the sole discretion of the investment advisor representative.

### **B.3. ERISA Retirement Plan Non-Fiduciary Services**

BCJ provides non-fiduciary services for retirement plans, which include the following:

- Assist in the education of the participants about general investment principles and the investment alternatives available under the plan. This shall include education in these four types of investment information:
  - Information about the terms of the plan and the benefits of participating in the plan.
  - General information about financial and investment concepts.
  - General information about the asset allocation models offered by the plan, without recommending any specific model to the participant.
  - Tools that a participant can use to determine risk tolerance, perform gap analysis and other similar interactive investment materials
- Assist in the group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Support plan sponsor's human resources department and coordinate their integration with the plan's record keeper and other related administrative service needs.
- Assist the plan sponsor with plan benchmarking.
- Assist the plan sponsor with review and understanding of plan investment monitoring and selection process.
- Provide a plan fiduciary review.
- Provide the plan sponsor periodic retirement industry updates and education on topics relevant to plan sponsor's role as a fiduciary.
- Educate all plan fiduciaries on the use of tools and checklists to help them better monitor and manage their fiduciary responsibilities.

### **B.4 ERISA Retirement Plan Fiduciary Services**

BCJ provides fiduciary services for retirement plans, which include the following:

- Provide ongoing and continuous discretionary investment management with respect to the asset classes and investment alternatives available under the Plan in accordance with the Plan's investment policies and objectives.
- Select a broad range of investment options consistent with ERISA section 404(c) and the regulations thereunder.
- Develop an investment policy statement (IPS). The IPS establishes the investment policies and objectives for the Plan.
- Monitor investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and determine whether to maintain or remove and replace investment options.

- Meet with Client on a periodic basis to discuss the reports and the investments decisions.
- Select a qualified default investment alternative (“QDIA”) for participants who fail to make an investment election. Client acknowledges that it is responsible for determining whether the Plan should have a QDIA and deciding upon the type of investment that will serve as a QDIA (e.g., target date fund, balanced fund or managed account). Once Client has made that determination, Adviser will select the investment to serve as the QDIA. The Client retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).
- Provide, where the plan recordkeeper capabilities exist, unitized asset allocation model(s). Use of these models by participants will incur an additional advisory fee (paid by the participant from their plan assets).
- Provide, where the plan recordkeeper capabilities exist, core (non-unitized), risk based asset allocation models for participants.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client’s account will be managed on the basis of the client’s financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

BCJ recommends clients to the Betterment wrap fee program. While BCJ does not sponsor a wrap fee program, it may recommend third-party wrap fee programs depending on the needs of a particular client. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2017, our clients have entrusted BCJ to manage a total of approximately \$693 million of their assets on a discretionary basis.



## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Investment Management Services Fees

Investment management fees are always subject to the investment advisory agreement between the client and BCJ. As compensation for our discretionary advice, you agree to pay us a single advisory fee, which consists of two components: our "platform fee," which represents our charges for maintaining your investment portfolio and other support services, and the "advisor fee," which represents the compensation we share with your investment advisor representative who manages your discretionary portfolio through our platform. A client may engage us to provide advice relative to investment accounts, employer-sponsored retirement plans, life insurance and/or annuity products that they may own or that may not be held by the client's primary custodian. We may charge a maximum 0.25% "monitoring fee," which is in addition to the advisory fees for our discretionary advice.

Advisory fees and monitoring fees are billed quarterly in advance and based on the value of the investment portfolio on the last day of the immediately preceding billing period. If we serve for less than the whole of any billing period, our compensation will be calculated and payable on a pro-rata basis for the period of the billing period for which we have served as an adviser hereunder. Client agrees that contributions to the investment portfolio during a billing period may incur pro-rata increases in fees, but that investment portfolio deductions will not decrease a fee already paid for a billing period.

The maximum fees for portfolio advisory services are determined and based upon the assets in the client's portfolio using the following cumulative fee schedule:

<u>Portfolio Value</u>	<u>Annual Fee</u>
\$0 to \$250,000	2.00%
\$250,001 to \$500,000	1.75%
\$500,001 to \$1,000,000	1.50%
\$1,000,001 to \$2,500,000	1.25%
\$2,500,001 to \$5,000,000	1.00%
\$5,000,001 to \$10,000,000	0.85%
\$10,000,001 and Above	0.70%

Depending upon unique circumstances fees may be subject to negotiation. Fees assessed on different assets in a portfolio may vary, depending on restrictions and complexity of management.

The Special Opportunity model portfolio is managed by BCJ Capital. A 35 basis point (0.35%) fee is charged to the client assets in the model portfolio to cover costs such as portfolio management, research, and operations. BCJ has a conflict of interest in that it has an economic incentive to recommend the Special Opportunity model to advisory clients.

BCJ charges each asset management account/household a platform fee to cover the costs of firm expenses such as trading, portal, operations, systems and liability according to the following fee schedule:

Portfolio Value	Annual Fee*
\$0 to \$250,000	0.25%
\$250,001 to \$500,000	0.20%
\$500,001 to \$1,000,000	0.175%
\$1,000,001 to \$2,500,000	0.15%
\$2,500,001 to \$5,000,000	0.125%
\$5,000,001 to \$10,000,000	0.10%
\$10,000,001 to \$25,000,000	0.075%
Above \$25,000,000	0.05%

\*Minimum platform fee is \$200 per year.

The platform fee for accounts investing in an ETF Select account is 0.10%.

Third-party managers and sub-advisors will charge an additional fee. Such advisors may impose a minimum portfolio size, minimum fee, or otherwise condition the provision of investment advisory services. Please refer to such manager's ADV Part 2A Brochure for specific information.

## A.2. Financial Planning and Consulting Fees

BCJ may charge an annual retainer fee, a fixed fee, or an hourly fee for its financial planning and consulting services.

*Annual Retainer Fee.* The annual retainer fee is determined based upon the anticipated scope and complexity of your planning and advice needs. The work will include written review, analysis and preparation of the recommendations and findings we provide you. We will be available for consultation during the contract year. The annual retainer fee generally ranges from \$200 to \$20,000. This fee will be due and payable upon execution of the financial planning agreement. If clients also have assets under management at BCJ, they may elect to have the financial planning fee deducted from their investment accounts. The agreement will automatically renew until otherwise canceled by either party in writing. If the agreement is terminated, a refund will be made only for services that have not been performed.

*Fixed Price Fee.* The fixed price fee is determined based upon the anticipated scope and complexity of your planning and advice needs. Fees in this category will range from \$100 to \$50,000 or as agreed upon in the financial planning agreement. If clients also have asset under management at BCJ, they may elect to have the financial planning fee deducted from their investment accounts. The agreement will automatically renew until otherwise cancelled by either party in writing. The fees for the annual updates will be disclosed and agreed to with the client in the initial financial planning agreement. If the agreement is terminated, a refund will be made only for services that have not been performed.

*Hourly Fee for Service.* Clients not in need of a full financial plan, but rather advice in one or more planning areas or regarding specific investments will be charged a maximum hourly rate of \$400 for professional services. The total amount of the fees will be estimated in the contract Advisor has with the client. The total fees at the completion of the engagement may be higher than originally estimated.. If clients also have asset under management at BCJ, they may elect to have the fee deducted from their investment accounts.

### A.3. ERISA Retirement Plan Non-Fiduciary Services

The maximum annual fee for retirement plan services is calculated as follows:

Non-Fiduciary Services - Maximum Charges	
Plan Assets	Non-Fiduciary Services
Startup to \$1,000,000	1.00%
\$1,000,001 to \$3,000,000	0.75%
\$3,000,01 to \$10,000,000	0.65%
\$10,000,001 to \$25,000,000	0.50%
\$25,000,001 to \$50,000,000	0.40%
\$50,000,001 to \$100,000,000	0.30%
above \$100,000,000	Custom

The annual fees are based on the market value of the included assets. The initial fee will be the amount, prorated for the number of days remaining in the initial fee period from the effective date or at plan funding, whichever is later, based upon the market value of the plan assets on the last business day of the initial fee period and will be due on the last business day of the fee period. Thereafter, the fee will be based upon the market value of the plan assets on the last business day of the previous fee period (without adjustment for anticipated withdrawals by participants or other anticipated or scheduled transfers or distributions of assets) and will be due the following business day.

### A.4. ERISA Retirement Plan Fiduciary Services Fees

The fees and the specific services provided are negotiated separately with each client and are based upon the fiduciary services provided. ERISA 3(21) fiduciary services include preparation of an investment policy statement, non-discretionary 3(21) investment recommendation and monitoring and recommendation of a qualified default investment alternative (QDIA). ERISA 3(38) fiduciary services adds discretionary investment management including selection and monitoring of plan investment options and QDIA selection. The chart below represents the maximum service fee schedule for the service provided based upon plan assets. Fees are not additive, for example a \$1,000,000 plan with 3(21) services would be a maximum of 0.25% while that same plan with 3(38) services would be a maximum of 0.20%.

Plan Assets	Maximum Charge	Maximum Charge
	ERISA 3(21) Fiduciary Services	ERISA 3(38) Fiduciary Services

Startup to \$10,000,000	0.25%	0.20%
\$10,000,001 to \$30,000,000	0.20%	0.15%
\$30,000,001 to \$100,000,000	0.15%	0.10%
\$100,000,001 +	0.10%	0.05%

## B. Client Payment of Fees

### B.1. Asset-Based Fees

BCJ requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

BCJ will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled by either party upon 30 days' prior written notice. Upon termination, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### B.2. Financial Planning Fees

Annual retainer fees will be due and payable upon execution of the financial planning agreement. Hourly consultation fees are due at the time of consultation. If clients also have asset under management at BCJ, they may elect to have the financial planning fee deducted from their investment accounts. The investment advisor representative may elect to alter when fees are collected for services being performed.

The agreement will automatically renew until otherwise canceled by either party in writing. The fees for the annual updates will be disclosed and agreed to with the client in the initial financial planning agreement. If the agreement is terminated, a refund will be made only for services that have not been performed.

### B.3. ERISA Retirement Plan Non-Fiduciary Services

Clients will be invoiced for services and may elect to have fees billed directly to them or deducted from plan assets by the plan administrator or similar entity. Either party may terminate the agreement upon 30 days' prior written notice to the other. If the agreement is terminated prior to the end of a fee period, BCJ will be entitled to a fee, prorated for the number of days in the fee period prior to the effective date of termination. Any unearned fee must be returned by BCJ.

**B.4. ERISA Retirement Plan Fiduciary Plan Services**

Clients will be invoiced for services and may elect to have fees billed directly to them or deducted from plan assets by the plan administrator or similar entity. Either party may terminate the agreement per the terms of the agreement. If the agreement is terminated prior to the end of a fee period, BCJ will be entitled to a fee, prorated for the number of days in the fee period prior to the effective date of termination.

**B5 Third Party Asset Management Fees**

The payment of fees and notice of termination requirement for third-party investment advisers will depend on the specific third-party adviser selected.

**C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using BCJ may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please note that for client accounts the firm maintains, the custodian will assess a fee for custody services provided to each client account. The client accounts may be assessed an asset-based fee or a transaction-based fee. Our client accounts are generally opened using asset-based pricing. In an asset-based pricing fee account, the custodian charges a percentage of the dollar amount of assets in the account in lieu of transaction-based fees. In a transaction-based fee arrangement, the custodian charges commissions or other fees on trades that it executes or that settle into client accounts. If asset-based pricing is selected and very little trading is done for the account, more fees could be paid by the client to the custodian than would have been charged under transaction-based pricing. Factors the client should consider before selection of asset-based pricing instead of transaction-based pricing include the amount of trading expected in the portfolio, the size of the portfolio, and the transaction fees and asset-based fees charged by the custodian. Additional fees may be charged if a client account is maintained on an external investment management platform such as Adhesion or Envestnet. These fees are normally charged and collected by the platform provider.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. External Compensation for the Sale of Securities to Clients**

BCJ's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. BCJ's advisory professionals may receive commission-based compensation for the sale of securities and insurance products. Investment adviser representatives, in their capacity as a World Equity Group, Inc. registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's World Equity Group, Inc. brokerage account unless commissions earned on such securities transactions occurred at least a 12–18 months prior to the transfer. Please see Item 10.C. for detailed information and conflicts of interest.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

BCJ does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

BCJ provides, or has the capability to provide, investment advisory services to a variety of clients, including individuals, high net worth individuals, pension and profit sharing trusts, Taft-Hartley plans, foundations, charitable organizations, and other “institutional clients”.

BCJ generally requires a minimum account size of \$100,000. BCJ, in its sole discretion, may waive the required minimum. Third-party managers may impose additional restrictions; please refer to the third-party manager’s disclosure brochure.



## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

#### **A.1. Our Philosophy**

Our general philosophy regarding investment strategies and risk is built around a goal-based approach and that our primary value offer is helping clients accomplish the goals that are important to them without taking unnecessary risk. This approach is in sharp contrast to the traditional investment approach of maximizing risk to maximize return and a value offer of relative returns to an artificial benchmark. In a goal based model, the relative returns to an artificial benchmark approach is an inadequate measure of success, primarily because it is possible to create returns in excess of the benchmark each and every year and still not meet a client's retirement goal. To that end, we don't believe there is only "one way" to manage assets. We realize that different time periods may call for different investment approaches to accomplish a specific client goal. These time periods and different investment approaches relate to secular or long-term trends in the investment markets and the cyclical or short-term trends that occur within the longer-term trend. What this means is that we will work with clients to determine the specific uses or goals for the portfolio and develop an investment strategy specific to each goal; that considers the client's priorities attached to each goal and that looks to take only the risk necessary to meet the goal.

#### **A.2. Forward Looking Portfolio Construction**

Decisions about movements along the portfolio strategy spectrum will have a major impact on your long-term investment results. Although we measure and back test with historical data, we are forward-looking in our views, incorporating macro trends with returns, risks and correlations to construct the recommended portfolios.

Each advisor then works with their clients to get agreement on the final investment strategy and portfolio recommendations.

#### **A.3. Method of Analysis**

Our analysis methodology would be considered a blend of fundamental and technical analysis. At times, manager selection can add appreciably to returns, particularly in secular bear environments. We pay close attention to the portfolio construction process. Using a disciplined process of quantitative and qualitative metrics, we select the blend of investments and managers that "play well together" in the context of overall portfolio interactions that produce a match for client's needs and risk tolerance.

Our security selection and monitoring process starts with a quantitative screening to determine an asset allocation based on market fundamentals and macroeconomic conditions. Trend and macroeconomic analysis is used to determine exposure to certain asset classes. Once the list of securities is limited to a workable number of candidates, additional quantitative analysis, particularly looking at levels of risk, as well as third party reviews and analysis, is conducted to come to a recommendation.

BCJ uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual fund companies, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

BCJ and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, BCJ reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. BCJ may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.4. Risk Management and Risk of Loss**

Risk management is a vital component of our investment process. Risk management is part of every decision and recommendation that we make. Although our overall approach is of taking only necessary risk, investing in securities involves risk of loss that each client should be prepared to bear.

#### **A.5. Mutual Funds and ETFs, Fixed Income and Equity Portfolios, Third-Party Separate Account Managers, and Pooled Investment Vehicles**

BCJ may recommend ETFs, no-load and load-waived mutual funds, individual securities (including fixed income instruments), and pooled investment vehicles. BCJ may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that BCJ will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

BCJ may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers and pooled investment vehicles to clients as appropriate under the circumstances.

BCJ reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by BCJ on a quarterly basis or such other interval as mutually agreed upon by the client and BCJ. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by BCJ (both of which are negative factors in implementing an asset allocation structure).

BCJ may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. BCJ will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

BCJ will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients qualified

to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

#### **A.6. Material Risks of Investment Instruments**

BCJ typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, BCJ may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Asset-backed securities
- Collateralized obligations
- Variable annuities

##### **A.6.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

##### **A.6.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with

respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.6.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.6.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.6.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.6.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.6.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.6.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.6.i. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.6.j. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

#### **A.6.k. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.6.l. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing



Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.6.m. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.6.n. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments



to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.6.o. Asset-Backed Securities**

Like mortgages-backed securities, the collateral underlying asset-backed securities are subject to prepayment, which may reduce the overall return to holders of asset-backed securities. Asset-backed securities present certain additional and unique risks. Primarily, these securities do not always have the benefit of a security interest in collateral comparable to the security interests associated with mortgage-backed securities. Credit card receivables are in general unsecured. Debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due.

Generally, automobile receivables are secured by automobiles. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and the technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. As a result, the risk that recovery on repossessed collateral might be unavailable or inadequate to support payments on asset-backed securities is greater for asset-backed securities than for mortgage-backed securities. In addition, because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of an interest rate or economic cycle has not been tested.

#### **A.6.p. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and

CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

#### **A.6.q. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although BCJ, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, BCJ will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although BCJ, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

BCJ generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **B.5. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

BCJ as part of its investment strategy may employ the following option strategies:

- Covered call writing

- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

#### **B.5.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.5.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.5.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.5.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

**B.5.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

**B.5.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

**B.5.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

**B.5.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Broker-Dealer or Representative Registration**

Members and registered advisory personnel of BCJ may be registered representatives of World Equity Group, Inc. ("WEG"), a FINRA-registered broker-dealer and member of SIPC. WEG is a financial services company engaged in the sale of investment products.

As a result of BCJ members and registered professionals' affiliation with WEG, such professionals, in their capacity as registered representatives of WEG, are subject to the general oversight of WEG and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of BCJ should understand that their personal and account information is available to FINRA and WEG for the fulfillment of their regulatory oversight obligations and duties.

BCJ related persons (investment advisor representatives) may also be individual advisory representatives of other registered investment advisory firms. Please refer to the ADV Part 2B brochure supplement regarding your advisor if he / she is a registered representative or a dually registered investment advisor representative.

### **B. Futures or Commodity Registration**

Neither BCJ nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Broker-Dealer Registration**

BCJ professionals may be registered representatives of World Equity Group, Inc. ("WEG"). BCJ professionals who effect transactions for advisory clients may receive transaction or commission compensation from WEG. The recommendation of securities transactions for commission creates a conflict of interest in that BCJ is economically incented to effect securities transactions for clients. Although BCJ strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of BCJ rather than in the client's best interest. BCJ advisory clients are not compelled to effect securities transactions through WEG.

#### **C.2. Insurance Sales**

Certain managers, members, and registered employees of BCJ are licensed insurance agents. With respect to the provision of financial planning services, BCJ professionals may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that BCJ strives to put its clients' interests first and foremost.



Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with BCJ's employing broker-dealer.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

### **D.1. SEI**

BCJ may recommend SEI to manage separate account fixed income portfolios for clients. This is a solicitor's arrangement. Please see Item 14.A. for additional disclosure.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics Description**

In accordance with the Advisers Act, BCJ has adopted policies and procedures designed to detect and prevent insider trading. In addition, BCJ has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of BCJ's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of BCJ. BCJ will send clients a copy of its Code of Ethics upon written request.

BCJ has policies and procedures in place to ensure that the interests of its clients are given preference over those of BCJ, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

BCJ does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, BCJ does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

BCJ, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which BCJ specifically prohibits. BCJ has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions

- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow BCJ's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

BCJ, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other BCJ clients. BCJ will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of BCJ to place the clients' interests above those of BCJ and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

BCJ may suggest that clients establish brokerage accounts with a variety of custodians, depending on client needs, to maintain custody of clients' assets and to effect trades for their accounts. Although BCJ may assist clients in determining the positive and negative attributes of certain custodians, it is the client's sole decision to custody assets with the custodian. BCJ is independently owned and operated and not affiliated with any custodian.

For BCJ clients' accounts, the custodian may or may not charge separately for custody services, but may be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into the custodian's accounts.

BCJ considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances, and subject to approval by BCJ, BCJ will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by BCJ will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

BCJ seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. For some accounts, the custodian may charge a percentage of the dollar amount of assets in the account in lieu of commissions. The custodian's commission rates and asset-based fees applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates and asset-based fees paid are lower than they would be if the firm had not made the commitment. In addition to commissions or asset-based fees, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

BCJ does not utilize soft dollar arrangements. BCJ does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides BCJ with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon BCJ committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**A.1.e. Other Products and Services**

Custodian also makes available to BCJ other products and services that benefit BCJ but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of BCJ's accounts, including accounts not maintained at custodian. The custodian may also make available to BCJ software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of BCJ's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help BCJ manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of BCJ personnel. In evaluating whether to recommend that clients custody their assets at the custodian, BCJ may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to BCJ. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to BCJ.

**A.1.g. Additional Compensation Received from Custodians**

BCJ may participate in institutional customer programs sponsored by broker-dealers or custodians. BCJ may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between BCJ's participation in such programs and the investment advice it gives to its clients, although BCJ receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving BCJ participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to BCJ by third-party vendors

The custodian may also pay for business consulting and professional services received by BCJ's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for BCJ's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit BCJ but may not benefit its client accounts. These products or services may assist BCJ in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help BCJ manage and further develop its business enterprise. The benefits received by BCJ or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

BCJ also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require BCJ to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, BCJ will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by BCJ's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for BCJ's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, BCJ endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by BCJ or its related persons in and of itself creates a potential conflict of interest and may indirectly influence BCJ's recommendation of broker-dealers for custody and brokerage services.

#### **A.1.h. The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the

custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

## **A.2. Brokerage for Client Referrals**

BCJ does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. BCJ Recommendations**

BCJ, if requested by a client, may recommend a variety of custodians for client's funds and securities and to execute securities transactions depending on the needs of the client.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct BCJ to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage BCJ derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. BCJ loses the ability to aggregate trades with other BCJ advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

BCJ, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. BCJ recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. BCJ will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future



- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, BCJ seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of BCJ's knowledge, these custodians provide high-quality execution, and BCJ's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, BCJ believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since BCJ may be managing accounts with similar investment objectives, BCJ may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by BCJ in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

BCJ's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. BCJ will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

BCJ's advice to certain clients and entities and the action of BCJ for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of BCJ with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of BCJ to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed

and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if BCJ believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

BCJ acts in accordance with its duty to seek best price and execution and will not continue any arrangements if BCJ determines that such arrangements are no longer in the best interest of its clients.

## Item 13: Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Our internal procedures generally require at least an annual review of accounts and updates of any factors that may impact the investment or investment strategies for all of our investment management clients. However, in practice our advisors work with each client to determine the review schedule that they are most comfortable with, which may result in a review schedule that meets more often than annually or that exceeds the general annual review guideline.

Additionally, our technology platform allows daily monitoring of the client portfolios for: the need to raise cash to reach an accounts established cash minimum, to invest cash that exceeds the account cash minimum, or deviation from the allocation model.

**Review of Portfolios** - While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, overall reviews of each portfolio will occur on a periodic basis. The portfolio review interval will vary, but often occurs quarterly and no less than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables, such as the client's individual circumstances, or the market, political, or economic environment. These accounts are reviewed by the assigned investment advisor or the investment committee and compliance teams.

**Review of Financial Plans** - Financial planning reviews may occur at different stages depending on the nature and terms of the specific engagement. For ongoing financial planning services clients, reviews normally correspond with the client's periodic meeting schedule. Reviews occur no less than annually. Unless otherwise contracted for, reviews will not be conducted for project-based (non-recurring) financial planning clients.

### B. Review of Client Accounts on Non-Periodic Basis

BCJ may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how BCJ formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

You will receive statements from the custodian/broker-dealer at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. If agreed upon, you will also receive reports that provide detailed performance measurement and other data relating to your individual holdings in an investment portfolio.

We urge clients to compare the account statements that they receive from their account custodian with the statements that they receive from BCJ. In the event of discrepancies, the statement from the custodian will be the official record.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### A.1. Solicitor Services

BCJ will enter into contractual agreements to act as a solicitor permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Act"). Pursuant to these agreements, BCJ receives compensation for referring prospective clients to third-party investment managers. Such arrangements will comply with the cash solicitation requirements under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with the referral partner. The solicitor must provide the client with a disclosure document describing the fees it receives from the referral partner, whether those fees represent an increase in fees that the referral partner would otherwise charge the client, and whether an affiliation exists between BCJ and the referral partner. BCJ will provide prospective clients with all applicable written disclosures required by the Act or as otherwise required by state or federal securities regulatory authorities.

#### A.2. TD Ameritrade Additional Services

BCJ participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade Inc. ("TD Ameritrade"), member FINRA/SIPC. In addition to benefits the firm receives for custody and brokerage services described under Item 12 of this Brochure, BCJ also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the program. Specifically, the Additional Services include Envestnet/Tamarac, Ned Davis Research, Morningstar, and Orion. TD Ameritrade provides the Additional Services to BCJ in its sole discretion and at its own expense, and BCJ does not pay any fees to TD Ameritrade for the Additional Services. BCJ and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

BCJ's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to BCJ, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, BCJ's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with BCJ, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, BCJ may have an incentive to recommend to its clients that the assets under management by BCJ be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. BCJ's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

## **B. Advisory Firm Payments for Client Referrals**

BCJ may enter into agreements with solicitors who will refer prospective advisory clients to BCJ in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements SEC: of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with BCJ. The solicitor must provide the client with a disclosure document describing the fees it receives from BCJ, whether those fees represent an increase in fees that BCJ would otherwise charge the client, and whether an affiliation exists between BCJ and the solicitor.

## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by BCJ to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

## Item 16: Investment Discretion

Clients may grant a limited power of attorney to BCJ with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, BCJ will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, BCJ may be granted discretionary authority for the retention of independent third-party investment management firms.

BCJ does provide for automatic portfolio / account rebalancing services. This may be to raise cash, invest cash, adjusting the asset allocation back to within model tolerances due to: asset allocations made by the investment committee, removal or addition of managers or funds, and/or allocation drift due to changes in asset values.

## **Item 17: Voting Client Securities**

BCJ does not take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, BCJ will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. BCJ has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. BCJ also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, BCJ has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where BCJ receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.



## **Item 18: Financial Information**

### **A. Balance Sheet**

BCJ does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

BCJ does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.

**Item 1: Cover Page**

**Part 2A of Form ADV Firm Brochure  
Betterment Third Party Asset Management Program**

March 30, 2018

**BCJ Capital Management, LLC**  
**dba BCJ Capital Management**  
SEC File No. 801-58087

8352 East Hartford Drive, Suite 105  
Scottsdale, AZ 85255

phone: 480-483-1510  
website: [www.BCJFinancial.com](http://www.BCJFinancial.com)

This brochure provides information about the qualifications and business practices of BCJ Capital Management. If you have any questions about the contents of this brochure, please contact us at 480-483-1510. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about BCJ Capital Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. There are no material changes made to the previous 2A that is dated January 3, 2018.

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## Item 4: Advisory Business

### A. BCJ Capital Management

BCJ Capital Management ("BCJ" and/or "the firm") is a privately held, employee owned, independent registered investment advisory firm registered with the United States Securities and Exchange Commission ("SEC") since January 1996. The principal of the firm are Kevin Bauer, President; Stephen Captain, Vice President; Justin Young, Chief Executive Officer; Andrea Bauer, CFO; and Mark Johnson, Member, Ben Bimson, Member, and David Carroll, Member.

### B. Advisory Services Offered

#### B.1. Investment Management Services

BCJ provides portfolio management services through Betterment LLC, using an automated, online investment management platform for use by independent investment advisors. Through this Third Part Asset Management Program ("TAMP"), we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at Betterment Securities, registered broker-dealer. We are independent of and not owned by, affiliated with, or sponsored or supervised by Betterment LLC, Betterment Securities, or their affiliates (together, "Betterment"). The Program is described in the Betterment Disclosure Brochure (the "Program Disclosure Brochure"), which is delivered to clients by Betterment during the online enrollment process.

We, and not Betterment, are the client's investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Betterment is not responsible, for determining the appropriateness of the Program for the client, assisting the client in choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and assisting the client in managing that portfolio on an ongoing basis. Betterment's role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

We have contracted with Betterment to provide us with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is less or more conservative or aggressive than the recommended portfolio, but the client will make the final decision in selecting a portfolio based on all the information provided by the client. The client has the ability to reallocate assets or select other portfolios on a self-directed basis or in consultation with their adviser. The System also includes an automated investment engine through which we manage the client's portfolio

on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

BCJ may refer clients to the Betterment wrap fee program. While BCJ does not sponsor a wrap fee program, it may recommend third-party wrap fee programs depending on the needs of a particular client. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2017, our clients have entrusted BCJ to manage a total of approximately \$693 million of their assets on a discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Investment Management Services Fees

Portfolio management services are charged an asset-based fee calculated as a percentage of the value of the assets being managed through the Betterment TAMP. BCJ charges 70 bps on the value of portfolio assets under supervision and Betterment charges 25 bps on the value of the assets on the Betterment platform.

Annual Rate		
BCJ	Betterment	"All-in"
0.70%	0.25%	0.95%

Please be advised that given the disparity in fees between the different categories of investments noted above in our fee schedule, BCJ may be viewed as having an economic incentive to recommend those products or services that yield a higher economic benefit to BCJ. Although BCJ strives to place its clients' interests first, clients should be aware of this conflict.

Asset-based fees are always subject to the investment advisory agreement between the client and BCJ. Such fees are payable quarterly in arrears.

### B. Client Payment of Fees

BCJ requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

BCJ will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled by either party upon 30 days' prior written notice. Upon termination, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.



**C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using BCJ may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

**D. External Compensation for the Sale of Securities to Clients**

BCJ's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. BCJ's advisory professionals may receive commission-based compensation for the sale of securities and insurance products. Investment adviser representatives, in their capacity as a World Equity Group, Inc. registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's World Equity Group, Inc. brokerage account unless commissions earned on such securities transactions occurred at least a 12–18 months prior to the transfer. Please see Item 10.C. for detailed information and conflicts of interest.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

BCJ does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

BCJ provides, or has the capability to provide, investment advisory services to a variety of clients, including individuals, high net worth individuals, pension and profit sharing trusts, Taft-Hartley plans, foundations, charitable organizations, and other “institutional clients”.

## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

#### **A.1. Our Philosophy**

Our general philosophy regarding investment strategies and risk is built around a goal-based approach and that our primary value offer is helping clients accomplish the goals that are important to them without taking unnecessary risk. This approach is in sharp contrast to the traditional investment approach of maximizing risk to maximize return and a value offer of relative returns to an artificial benchmark. In a goal based model, the relative returns to an artificial benchmark approach is an inadequate measure of success, primarily because it is possible to create returns in excess of the benchmark each and every year and still not meet a client's retirement goal. To that end, we don't believe there is only "one way" to manage assets. We realize that different time periods may call for different investment approaches to accomplish a specific client goal. These time periods and different investment approaches relate to secular or long-term trends in the investment markets and the cyclical or short-term trends that occur within the longer term trend. What this means is that we will work with clients to determine the specific uses or goals for the portfolio and develop an investment strategy specific to each goal; that considers the client's priorities attached to each goal and that looks to take only the risk necessary to meet the goal.

#### **A.2. Forward Looking Portfolio Construction**

Decisions about movements along the portfolio strategy spectrum will have a major impact on your long-term investment results. Although we measure and back test with historical data, we are forward-looking in our views, incorporating macro trends with returns, risks and correlations to construct the recommended portfolios.

Each advisor then works with their clients to get agreement on the final investment strategy and portfolio recommendations.

#### **A.3. Method of Analysis**

Our analysis methodology would be considered a blend of fundamental and technical analysis. At times, manager selection can add appreciably to returns, particularly in secular bear environments. We pay close attention to the portfolio construction process. Using a disciplined process of quantitative and qualitative metrics, we select the blend of investments and managers that "play well together" in the context of overall portfolio interactions that produce a match for client's needs and risk tolerance.

Our security selection and monitoring process starts with a quantitative screening to determine an asset allocation based on market fundamentals and macroeconomic conditions. Trend and macroeconomic analysis is used to determine exposure to certain asset classes. Once the list of securities is limited to a workable number of candidates, additional quantitative analysis, particularly looking at levels of risk, as well as third party reviews and analysis, is conducted to come to a recommendation.

BCJ uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual fund companies, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

BCJ and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, BCJ reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. BCJ may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.4. Risk Management**

Risk management is a vital component of our investment process. Risk management is part of every decision and recommendation that we make. Although our overall approach is of taking only necessary risk, investing in securities involves risk of loss that each client should be prepared to bear.

#### **A.5. Recommendation of Portfolios**

BCJ will assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio.

A description of the criteria to be used in formulating an investment recommendation for model portfolios is set forth below.

BCJ may utilize additional independent third parties to assist it in recommending portfolios.

BCJ reviews certain quantitative and qualitative criteria related to the portfolio and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

BCJ will regularly review the activities of the portfolios selected by the client. Clients that engage managers or who invest in the portfolios should review and understand the disclosure documents of those portfolios, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

#### **A.6. Risk of Loss**

The securities in the portfolios typically include ETFs, stocks, corporate and municipal bonds, and other assets, all of which are subject to some or all of the following risk factors:

- **ETF Risk:** The risk of owning ETFs reflects their underlying securities (e.g., stocks, bonds, tc.). These forms of securities typically carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances. For this TAMP portfolio program, BCJ employs a passively-managed portfolio strategy. The investment strategy for a specific client is based upon the objectives stated by the client during consultations, and on their risk profile. The client may change these objectives at any time, and should notify BCJ immediately of these changes.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Broker-Dealer or Representative Registration**

Members and registered advisory personnel of BCJ may be registered representatives of World Equity Group, Inc. ("WEG"), a FINRA-registered broker-dealer and member of SIPC. WEG is a financial services company engaged in the sale of investment products.

As a result of BCJ members and registered professionals' affiliation with WEG, such professionals, in their capacity as registered representatives of WEG, are subject to the general oversight of WEG and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of BCJ should understand that their personal and account information is available to FINRA and WEG for the fulfillment of their regulatory oversight obligations and duties.

BCJ related persons (investment advisor representatives) may also be individual advisory representatives of other registered investment advisory firms. Please refer to the ADV Part 2B brochure supplement regarding your advisor if he / she is a registered representative or a dually registered investment advisor representative.

### **B. Futures or Commodity Registration**

Neither BCJ nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Broker-Dealer Registration**

BCJ professionals may be registered representatives of World Equity Group, Inc. ("WEG"). BCJ professionals who effect transactions for advisory clients may receive transaction or commission compensation from WEG. The recommendation of securities transactions for commission creates a conflict of interest in that BCJ is economically incented to effect securities transactions for clients. Although BCJ strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of BCJ rather than in the client's best interest. BCJ advisory clients are not compelled to effect securities transactions through WEG.

#### **C.2. Insurance Sales**

Certain managers, members, and registered employees of BCJ are licensed insurance agents. With respect to the provision of financial planning services, BCJ professionals may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that BCJ strives to put its clients' interests first and foremost.

Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with BCJ's employing broker-dealer.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics Description**

In accordance with the Advisers Act, BCJ has adopted policies and procedures designed to detect and prevent insider trading. In addition, BCJ has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of BCJ's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of BCJ. BCJ will send clients a copy of its Code of Ethics upon written request.

BCJ has policies and procedures in place to ensure that the interests of its clients are given preference over those of BCJ, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

BCJ does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, BCJ does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

BCJ, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which BCJ specifically prohibits. BCJ has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions

- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow BCJ's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

BCJ, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other BCJ clients. BCJ will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of BCJ to place the clients' interests above those of BCJ and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

For clients participating in the Betterment TAMP, MTG, LLC dba Betterment Securities ("Betterment Securities"), a registered broker-dealer, member SIPC, will be the qualified custodian for client accounts using Betterment LLC and/or Betterment Institutional. Clients will open the account with Betterment Securities by entering into an account agreement directly with them. While we do not open the account for you, we may assist you in doing so. BCJ is independently owned and operated and not affiliated with Betterment.

##### A.1.a. Client's Custody and Brokerage Costs

For client accounts that Betterment Securities maintains, Betterment Securities generally does not charge separately for custody services. It is instead compensated as part of the Betterment Institutional platform fee, which is a percentage of the dollar amount of assets in the account in lieu of commissions. BCJ has determined that having Betterment Securities execute trades is consistent with its duty to seek "best execution" of trades (see above).

##### A.1.b. Soft Dollar Arrangements

While BCJ has no formal soft dollars program in which soft dollars are used to pay for third party services, BCJ may receive research, products, or other services from its broker/dealer in connection with client securities transactions ("soft dollar benefits") consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. BCJ benefits by not having to produce or pay for the research, products or services, and BCJ will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that BCJ's acceptance of soft dollar benefits may result in higher commissions charged to the client.

##### A.1.c. Institutional Trading and Custody Services

Betterment Securities serves as broker-dealer to Betterment Institutional, an investment and advice platform serving independent investment advisory firms. Betterment Institutional also offers available various support services, which may not be available to its retail customers. Some of those services help BCJ manage or administer client accounts, while others help us manage and grow our business. Betterment Institutional's support services are generally available on an unsolicited basis (BCJ does not have to request these services) and at no additional charge to BCJ.

**A.1.d. Other Products and Services**

Betterment Institutional also makes available to BCJ other products and services that benefit BCJ, but may not directly benefit the client or client accounts. These products and services assist BCJ in managing and administering client accounts, such as software and technology that may:

- Assist with back-office functions, recordkeeping, and client reporting of our accounts.
- Provide access to client account data (such as duplicate trade confirmations and account statements).
- Provide pricing and other market data.
- Assist with back-office functions, recordkeeping, and client reporting.

The custodian may also provide other benefits such as educational events or occasional business entertainment of BCJ personnel. In evaluating whether to recommend that clients custody their assets at the custodian, BCJ may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.e. The Firm's Interest in Custodian's Services**

The availability of these services from Betterment Institutional benefits BCJ because we do not have to produce or purchase them. In addition, BCJ does not have to pay an additional fee for Betterment Securities' services, although these services may be contingent upon BCJ committing a certain amount of assets to Betterment Securities for custody.

BCJ has an incentive to have clients maintain their accounts with Betterment Securities based on BCJ's interest in receiving Betterment Institutional's and Betterment Securities' services that benefit our business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. However, the availability to us of Betterment Institutional's and Betterment Securities' products and services is not based on BCJ giving particular investment advice, such as buying particular securities for its clients. Moreover, BCJ believes that use of Betterment Securities as custodian and broker-dealer is in the clients' best interests and consistent with BCJ's fiduciary duty. BCJ's selection of Betterment Securities is primarily supported by the scope, quality, and price of services (described above) rather than Betterment Institutional's and Betterment Securities' services that benefit BCJ directly.

As part of its fiduciary duties to clients, BCJ endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by BCJ or its related persons in and of itself creates a potential conflict of interest and may indirectly influence BCJ's recommendation of broker-dealers for custody and brokerage services.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

In light of the nature of BCJ's arrangement with Betterment, it is believed "best execution" review obligations with regard to client transactions are not required under current industry guidelines.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Our internal procedures generally require at least an annual review of accounts and updates of any factors that may impact the investment or investment strategies for our investment management clients. However, in practice our advisors work with each client to determine the review schedule that they are most comfortable with, which may result in a review schedule that meets more often than annually or that exceeds the general annual review guideline.

Review of Portfolios -. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables, such as the client's individual circumstances, or the market, political, or economic environment. These accounts are reviewed by the assigned investment advisor or the investment committee and compliance teams.

### **B. Review of Client Accounts on Non-Periodic Basis**

BCJ may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how BCJ formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

You will receive statements from the custodian/broker-dealer at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. If agreed upon, you will also receive reports that provide detailed performance measurement and other data relating to your individual holdings in an investment portfolio.

We urge clients to compare the account statements that they receive from their account custodian with the statements that they receive from BCJ. In the event of discrepancies, the statement from the custodian will be the official record.



## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

#### **A.1. Solicitor Services**

BCJ will enter into contractual agreements to act as a solicitor permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Act"). Pursuant to these agreements, BCJ receives compensation for referring prospective clients to third-party investment managers. Such arrangements will comply with the cash solicitation requirements under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with the referral partner. The solicitor must provide the client with a disclosure document describing the fees it receives from the referral partner, whether those fees represent an increase in fees that the referral partner would otherwise charge the client, and whether an affiliation exists between BCJ and the referral partner. BCJ will provide prospective clients with all applicable written disclosures required by the Act or as otherwise required by state or federal securities regulatory authorities.

### **B. Advisory Firm Payments for Client Referrals**

BCJ may enter into agreements with solicitors who will refer prospective advisory clients to BCJ in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements SEC: of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with BCJ. The solicitor must provide the client with a disclosure document describing the fees it receives from BCJ, whether those fees represent an increase in fees that BCJ would otherwise charge the client, and whether an affiliation exists between BCJ and the solicitor.

## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by BCJ to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to BCJ with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, BCJ will exercise full discretion as to the selection of portfolios.

## Item 17: Voting Client Securities

BCJ does not take discretion with respect to voting proxies on behalf of its clients. Except as required by applicable law, BCJ will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. BCJ has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. BCJ also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, BCJ has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where BCJ receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

BCJ does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

BCJ does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.